Department of the Army Reserve Component Survivor Benefit Plan (RCSBP) Soldier and Spouse Brief

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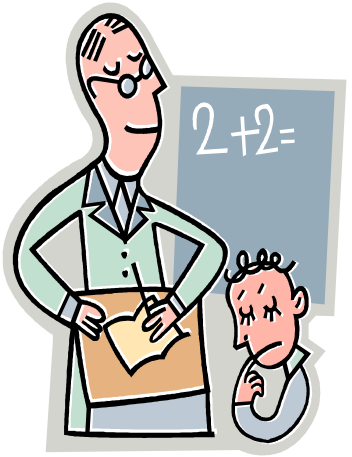
Our Goal

CHANGE…. MISINFORMATION you may have heard on RCSBP from *MISINFORMED* People

INTO….. INFORMATION from *INFORMED Experts*

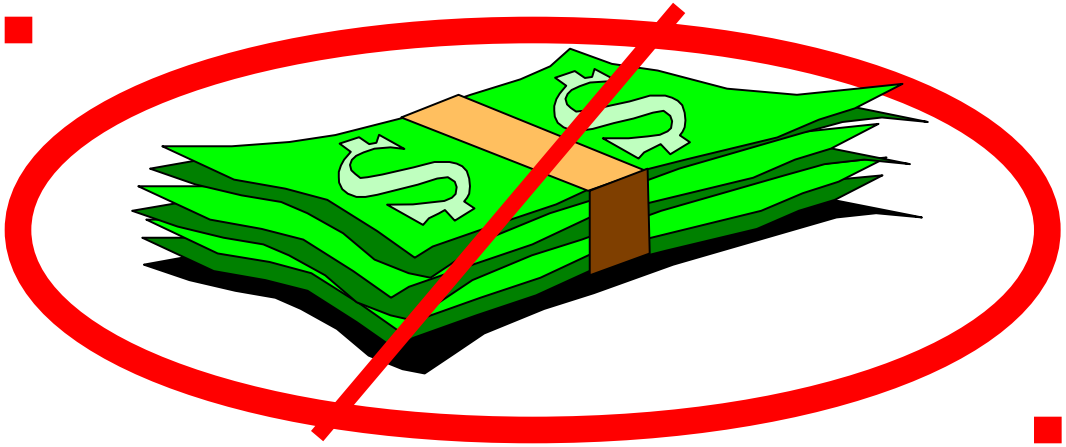
PURPOSE



- Break RCSBP down into manageable understandable blocks

- Allows RC Soldiers to make informed decisions on their individual RCSBP elections

THE BOTTOM LINE
Without RCSBP



There is no annuity if the RC Soldier dies prior to receipt of retired pay

What Are The Risks?

No RCSBP :

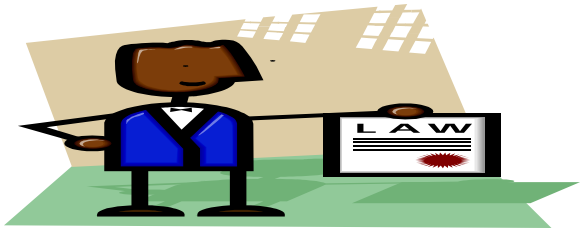
Higher risk of leaving your loved ones with insufficient income

RCSBP :

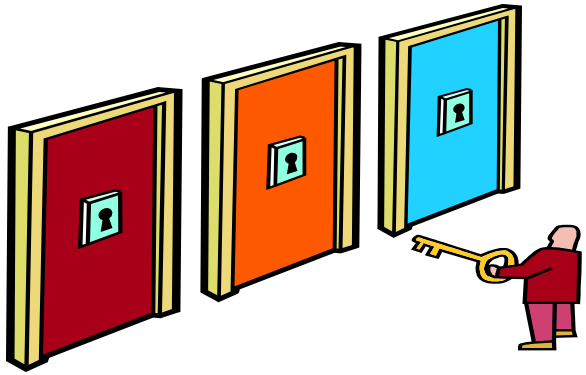
Cost versus Returns

What if I don't die before my non-regular retirement?

WHAT IS RCSBP?



- Enacted by Congress in 1978
- Sole means for a RC Soldier with 20 years of qualifying reserve service for retirement to provide a portion of their retired pay to survivors if they die before Non-regular Reserve Retirement
- RCSBP and SBP are paid as a monthly annuity to eligible survivors
- RCSBP decision affects SBP coverage at retirement
- Certain elections constitute an early SBP decision
- If retired from active duty, RCSBP elections are voided and there is no RCSBP cost for coverage received



ABOUT ELECTIONS

- **Must be made within 90 days of receipt of Notice of Eligibility for Retired Pay (20 Year Letter) packet from the Human Resource Command St. Louis (HRC St. Louis) or State Headquarters**
- **Certain elections need spouse concurrence**
- **Certain elections affect your SBP**

RCSBP Election Options

- All Elections made upon receipt of Notice of Eligibility to Receive Retired Pay (20 Year letter)
  - Option A: No RCSBP Coverage with option to elect coverage when eligible to receive retired pay
  - Option B: RCSBP coverage with deferred annuity when the RC Soldier would turn age 60
  - Option C: RCSBP coverage with immediate annuity

RCSBP Option A

- If Option A (Decline election until Age 60)
  - No RCSBP coverage
  - Pay no annuity if death occurs pre-reserve retirement
  - If no eligible beneficiary at election, may elect RCSBP within one year of first obtaining an eligible beneficiary
- Effect on Non-regular retirement SBP
  - Must make SBP election on DD Form 2656, Data for Payment of Retired Personnel
  - Pay SBP premium for coverage elected
- RCSBP cost
  - No RCSBP coverage no cost
- If nonregular retirement is prior to age 60 due to reduced age retirement, there is no SBP or RCSBP

RCSBP Option B

- If Option B (Deferred Annuity)
  - RCSBP coverage
  - Annuity paid when RC Soldier would have qualified for non-regular retirement to elected beneficiary categories who are still eligible
  - Must maintain election prior to non-regular retirement
- Effect on SBP at non-regular retirement
  - RCSBP becomes SBP election

RCSBP cost when in receipt of retired pay

- Pay RCSBP premium for RCSBP coverage received
- Pay SBP premium for current coverage after receipt of retired pay

RCSBP Option C

- If Option C (Immediate Annuity)
  - RCSBP coverage
  - Pay annuity immediately at RC Soldiers death
  - Must maintain election prior to non-regular retirement
- Effect on non-regular retirement SBP
  - RCSBP becomes SBP election

RCSBP cost

  - RCSBP premium for RCSBP coverage received
  - SBP cost for coverage after receipt of retired pay
  - RCSBP is more expensive than for Option B due to immediate payment of annuity

20 Year Letter

- Issued when RC Soldier attains 20 qualifying years of service
- Qualifying year is a complete year in which the RC Soldier earns 50 or more points
- Prior to 26 Apr 05, last 6 qualifying years of service for retirement must have been in the Reserves
- 15 year letter
  - issued by NG only after Medical Board, NG Soldier asks for transfer to Retired Reserves, CG authorizes and publishes order.
  - USAR requires HRC final approval and issue of the 15 year letter

Six Election Categories

- **Spouse Only**
- **Spouse & Child**
- **Child Only**
- **Former Spouse Only**
- **FS & Child**
- **Insurable Interest**

Spouse Option

- **provides annuity of 55% minus the RCSBP premium** *(factors to calculate RCSBP premium cost for survivors is set so low there is no RCSBP premiums cost to survivors)*
- **annuity paid forever (unless remarriage occurs pre-55)**
- **if remarriage ends, annuity reinstated**
- **increased annual by COLA**
- **taxable as an annuity**
- **RCSBP premiums stop when there is no eligible spouse or former spouse**

Spouse & Child Option

- spouse = primary beneficiary
- children are secondary beneficiary and receive the annuity *only if* spouse becomes ineligible (pre-55 remarriage or death) *and* they are still eligible
- child cost is based on years age difference between Soldier, spouse and youngest child
- cost of child coverage - very low
- when no eligible children remain, Child SBP cost stops but RCSBP cost continues
- all eligible children are covered at one cost

Child SBP

- eligible until 18, or 22 if full-time, unmarried student
- unmarried incapacitated child - eligible forever
  (if condition was incurred pre-18 or 22)
  - It is recommended you research the impact of SBP for a fully disabled child may have on other benefits the child has or will receive.
  - The NDAA FY2015 contained a provision that allows the SBP for an incapacitated child to be paid to a special needs trust for that child.
- cost based on age difference between Soldier and youngest child at time of election
- all eligible children covered at one cost
- when no eligible children remain, Child SBP cost stops but RCSBP cost continues
- cheaper than “spouse” due to finite benefit but costlier option than child when with spouse since child is primary beneficiary
- annuity divided equally among all eligible
- can elect for children only because there is no spouse or exclude the spouse
  - If married and child only SBP is elected, spouse must concur

Advice--Seriously Consider Child or Spouse and Child Coverage!

Q: Why bother to cover my 21-year old son who graduates from college soon?

A: Because, if you elected Option B or Option C and did not elect RCSBP for an eligible child...

- you are "closing" the child category when there are eligible children for both RCSBP and SBP forever
- family complete? perhaps a step-, grand-, foster- or natural child is in your future
- incapacitation may occur while still eligible

- SBP cost stops when no eligible children remain but RCSBP cost continue

Former Spouse "Particulars"

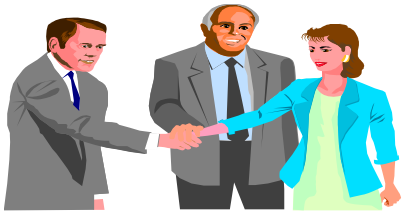
- Former spouse coverage can be:
  - purely voluntary
  - incorporated into a written agreement
  - court-ordered
- If divorce prior to election:
  - If court Ordered, Soldier must elect Former spouse or former spouse and child RCSBP at 20 year letter or could be held in contempt of court
  - Former spouse can provide HRC Reserve Retirement Pay Branch the divorce decree, subsequent court orders or a written agreement if not court ordered and a DD Form 2656-10, Request for Deemed Election, to request a deemed election within one year of the first court order or written agreement awarding former spouse RCSBP
- Former spouse coverage can be changed to spouse if court order is amended or by former spouse's death
- If election is former spouse and children, only the children of the marriage to the former spouse are covered

“Insurable Interest” Option

- Who Can Elect: unmarried Soldiers with no or one dependent child
- Eligible Beneficiaries: relative more closely related than cousin; or business associate w/financial interest in Soldier (proof needed)
- Base Amount: Must be full retired pay
- Cost: Very expensive option
  - RCSBP: same as SBP
  - SBP: 10% plus 5% for each full 5 years younger beneficiary is than Soldier (maximum 40%)
- Benefit: 55% of retired pay less RCSBP cost
- Loss of Beneficiary: May elect new beneficiary within 180 days of current beneficiary’s death.

RCSBP Spouse Concurrence

A *"JOINT"* Decision For Married Soldiers



Who . . .

- Elect Option A, decline RCSBP
- Cover less than full retired pay
- Elect "child only"
- Elect Option B, deferred annuity

It is the Soldier's election

- The spouse can only concur or non concur

Termination Feature

- can terminate SBP after 2 years of ret.
- one-year window between 25th and 36th months after start of retired pay
- spouse concurrence required
- barred from future enrollment
- no refund of past premiums
- No termination of RCSBP premiums because it is for coverage already received

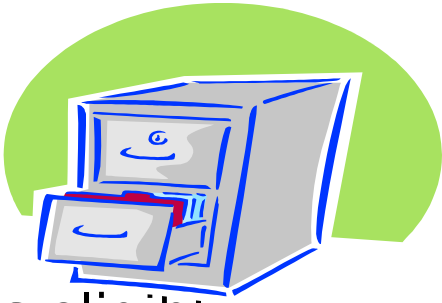
RCSBP/SBP and Dependency and Indemnity Compensation (DIC)

- SBP and DIC
  - SBP premiums are refunded to the spouse for any portion of SBP that is offset by DIC
  - RCSBP/SBP is offset dollar for dollar by DIC
  - Currently DIC is only payable if member's death is determined by the VA to be service connected
  - RCSBP/SBP provides annuity if death is not determined to be service connected

Special Survivor Indemnity Allowance (SSIA)

- SSIA is paid to spouses whose SBP annuity is fully or partially offset by DIC.
- SSIA will be paid to the surviving spouse if
  - entitled to DIC, receiving an SBP annuity either partially or completely offset by DIC; and SBP offset is at least equal to the SSIA
  - Payments will be paid in the following monthly amounts:
    - For months during fiscal year 2016, $275; 2017, $310
    - Ends 1 Oct 2017 unless extended by Congr

No Beneficiary at 20 Year Letter?



- Keep RCSBP literature
- Keep “Echoes”
- Contact nearest RC RSO for a new briefing as soon as eligible beneficiary is gained
- Decision whether or not to enroll new family members MUST be made within one year of gaining them
- New spouse becomes eligible at 1-year marriage anniversary
- A child becomes eligible after one year
- Submit request for SBP to HRC within one year if USAR or Retired Reserve and to State RSO for National Guard TPU Soldiers
- RCSBP change on a DD Form 2656-5, Reserve Survivor Benefit Plan (RCSBP) Election Certificate
- If no action is taken to elect RCSBP within one year of the first spouse or RCSBP eligible child after NOE to elect RCSBP, the RCSBP election option defaults to Option A, decline RCSBP participation

Base Amount

- amount of retired pay (in dollars) participation is based on
- minimum, by law = $300
- maximum, by law = full retired pay
- may choose any $$ amount between

Can I Tailor RCSBP To Meet *My* Needs? Yes….Think "Base Amount"

Challenge: What base amount should I cover to meet our needs?

Solution: Divide the goal amount by 55%

Examples:

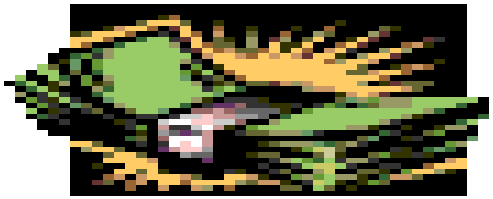
$1000 annuity -- choose $1818 as base

$ 500 annuity -- choose $ 909 as base

The Annuity

Amount: Annuity is 55% of the amount of your retired pay you elect to cover (base amount) regardless of the annuitants age

RCSBP Cost Calculations



- RCSBP premium calculated based on election, period of coverage, ages, and level of coverage at time of enrollment.
- RC retired pay based on retired grade, service longevity, and creditable retirement points.
- RC cost factor calculated by the DA Actuary
- RCSBP calculator is available at https://www.hrc.army.mil/site/index.asp

"30-Year Paid-Up Provision"

Effective 1 Oct 2008, no further cost (but annuity payable)

AFTER…

30 years of paying RCSBP/SBP Premiums (360 payments)…

AND

reaching age 70.

Note: Must make 360 RCSBP payments to be paid-up for RCSBP and 360 SBP payments to be paid-up for SBP

RCSBP Election and Active Duty Retirement

- Affect of RCSBP election on active duty retirement
  - RCSBP election has no affect on active duty retirement
  - Must make separate SBP election
  - There is no cost for RCSBP coverage already received prior to active duty retirement

Life's Certainties?

Civilians:

1--death

2--taxes

Retirees:

3--Can't outlive retired pay

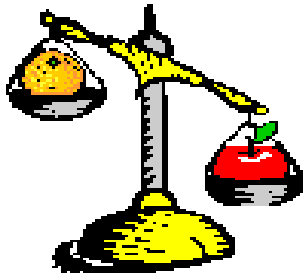
Annuitants:

4--Can't outlive RCSBP/SBP annuity

RCSBP POSITIVES

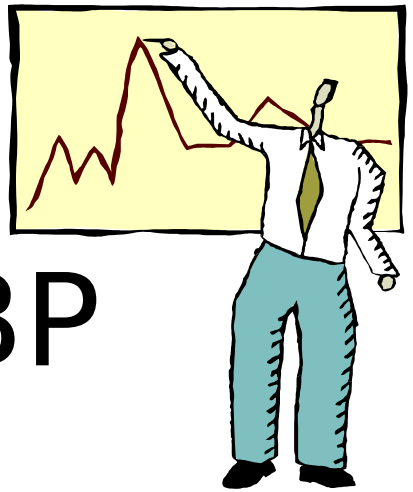
- **Only way to provide an annuity based on your eligibility for retirement if you die prior to your nonregular retirement**
- **Tax-free premiums**
- **Inflation-adjusted annuity**
- **Level-term plan annuity of 55 percent**
- **“Paid-up” after 30 years paying premiums + age 70**
- **Annuitants cannot outlive RCSBP/SBP annuity**
- **Age, health, smoking, sex, lifestyle -- not considered**
- **Can only be changed by Congress**
- **Income safety net; peace of mind**

Four Main Points When Comparing RCSBP and SBP to Life Insurance



- It takes a surprising amount of insurance to do for the spouse what SBP will (based on averages).
- It will take a lot more insurance if the spouse outlives the retiree by the longest period of time.
- The amount of insurance needed over time rises due to inflation.
- Even though insurance may appear to be an inexpensive “alternative” *at retirement*, it’s harder to obtain & increasingly expensive as you age.

HQDA's Advice To All Retiring Soldiers



"Do not forfeit RCSBP without having full knowledge of what you are giving up."

(Chief, Army Retirement Services)

For More RCSBP Information….

Log on to:

http://soldierforlife.army.mil/retirement/

https://www.hrc.army.mil/site/index.a

http://myarmybenefits.us.army.mil/

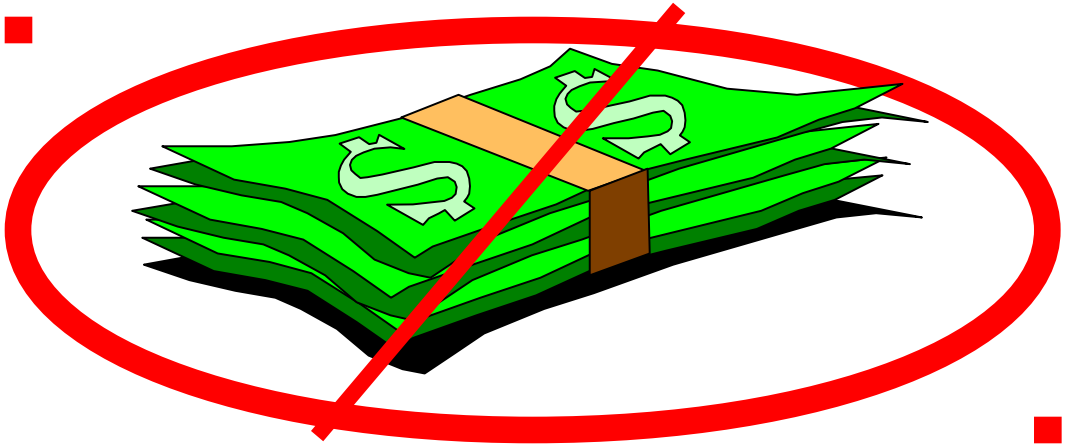
Contact information:

Human Resources Command, 502-613-8950

Army Reserve RSOs
https://soldierforlife.army.mil/retirement/reservecomponent

Army National Guard, contact State RSO

THE BOTTOM LINE
Without RCSBP



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